

Message

From: Millett, John [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=C067CAA6C93544F78C26AB08CC567D27-MILLETT, JOHN]
Sent: 11/4/2015 2:55:19 PM
To: McCabe, Janet [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d2ca413e5a534895bd6042d82e5b5f63-McCabe, Janet]; Grundler, Christopher [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d3be58c2cc8545d88cf74f3896d4460f-Grundler, Christopher]; Stewart, Lori [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=8404f4ff6c924b2f8f3fb80c3a4467a7-Istewa04]
CC: Birgfeld, Erin [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3383bc15dd5542e5bff5c3de13ba9bf2-EBIRGFEL]; Hengst, Benjamin [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=c414e2bf04a246bb987d88498eefff06-Hengst, Benjamin]
Subject: FW: VW clips -- 11/3 to 11/4 overnight

Updated batch reflecting the EU CO2, and Porsche's US stop sale developments --

From: Urrutia, Katiana
Sent: Wednesday, November 04, 2015 9:53 AM
To: Valentine, Julia <Valentine.Julia@epa.gov>; Gong, Kristiene <Gong.Kristiene@epa.gov>; Allen, Laura <Allen.Laura@epa.gov>; Conger, Nick <Conger.Nick@epa.gov>; Senn, John <Senn.John@epa.gov>; Millett, John <Millett.John@epa.gov>; Birgfeld, Erin <Birgfeld.Erin@epa.gov>; Hull, George <Hull.George@epa.gov>; Grantham, Nancy <Grantham.Nancy@epa.gov>; StClair, Christie <StClair.Christie@epa.gov>; Davis, Jay <Davis.Jay@epa.gov>; Bunker, Byron <bunker.byron@epa.gov>; Cohen, Janet <cohen.janet@epa.gov>; Brooks, Phillip <Brooks.Phillip@epa.gov>; Hengst, Benjamin <Hengst.Benjamin@epa.gov>; Grundler, Christopher <grundler.christopher@epa.gov>; Purchia, Liz <Purchia.Liz@epa.gov>; Werner, Jacqueline <Werner.Jacqueline@epa.gov>; Belser, Evan <Belser.Evan@epa.gov>; Kaul, Meetu <Kaul.Meetu@epa.gov>; Cook, Leila <cook.leila@epa.gov>; Smith, Roxanne <Smith.Roxanne@epa.gov>; Orquina, Jessica <Orquina.Jessica@epa.gov>; Hart, Daniel <Hart.Daniel@epa.gov>; Bressler, Lindsey <Bressler.Lindsey@epa.gov>; Allen, Hiatt <Allen.Hiatt@epa.gov>
Subject: VW clips -- 11/3 to 11/4 overnight

Below: NYT, LA Times, Bloomberg (3), CNBC, Fox Business

New York Times

http://www.nytimes.com/2015/11/04/business/vw-discloses-new-emissions-problem-involving-carbon-dioxide.html?_r=0

Volkswagen Discloses It Submitted False Carbon Dioxide Data

By JACK EWING and GRAHAM BOWLEY

NOV. 3, 2015

Volkswagen's pollution problems took a costly new turn on Tuesday when the company said it had understated emissions of carbon dioxide, a greenhouse gas, for about 800,000 of its vehicles sold in Europe, and overstated the cars' fuel economy.

A limited number of gasoline-powered cars are affected, said Eric Felber, a company spokesman, expanding the focus of Volkswagen's crisis beyond its diesel engines.

It is the latest in a series of emissions revelations shaking the company, raising questions about the quality of its internal corporate controls and its reputation for engineering prowess, and undermining a carefully crafted image as a maker of

efficient and environmentally friendly cars. The latest problem will force the company to incur an estimated 2 billion euros, or about \$2.2 billion, in possible financial penalties, a spokesman said, because of tax breaks granted in Europe on cars with low carbon dioxide emissions.

Those costs would be on top of the €6.7 billion the company has already set aside to address its central emissions crisis, revealed in September when Volkswagen admitted that it had installed deceptive software in 11 million diesel vehicles to make it appear as if they met air-quality standards for nitrogen oxide, which poses a threat to human health. Volkswagen's troubles have led to lawsuits from investors and car owners that are likely to cost the company billions of dollars beyond the money already set aside.

Volkswagen has admitted that millions of its diesel cars worldwide were equipped with software that was used to cheat on emissions tests. The company is now grappling with the fallout.

In a statement on Tuesday, Matthias Müller, Volkswagen's chief executive, said the company "deeply regretted" its false claims about the carbon dioxide emissions. He added that Volkswagen's public statements about the problem should demonstrate that the company was determined to conduct a thorough inquiry. "It's a painful process, but there is no alternative," he said.

Mr. Felber said the company was still investigating what led to the false emissions data but that it had wanted to make the new information public as soon as possible. Volkswagen said it was most likely not a software issue. An official with the Environmental Protection Agency in the United States said the agency was still studying the Volkswagen statement.

Volkswagen said that most of the 800,000 vehicles affected by the carbon dioxide issue were diesels as well and that it discovered the problem while investigating the earlier software deception. It said a recall would not be necessary to fix the carbon dioxide issue.

Most of the cars with the carbon dioxide problem are equipped with an engine line known as the EA 288, of which there are 1.4-liter, 1.6-liter and 2-liter versions. A small number of cars with gasoline engines are also affected, Mr. Felber said.

Volkswagen said it had made erroneous carbon dioxide and fuel-economy claims in Europe for cars beginning with the 2012 model years, as well as the 2015 and 2016 models currently on sale. The affected cars are the Volkswagen Polo, Golf and Passat and the Audi A1 and A3. Some SEAT and Skoda cars were also involved.

The latest developments added to a difficult week for the auto giant. On Monday in the United States, the E.P.A. separately said that more diesel vehicles than previously known, including the Porsche Cayenne S.U.V., were programmed to cheat on nitrogen oxide emissions.

Volkswagen disputed the accusation. In a carefully worded statement on Monday, the company said, in part, "that no software has been installed in the 3-liter V6 diesel power units to alter emissions characteristics in a forbidden manner."

On Tuesday, Volkswagen declined to answer questions to clarify the wording in that statement, specifically whether it meant that emissions-altering software had been installed in the engines and, if so, what the software's function was. Later Tuesday, Porsche's North America unit said it would stop selling 2014-16 diesel Cayennes "in view of the unexpected U.S. E.P.A. notice."

Crisis management experts said that the Monday statement by Volkswagen, which seemed to deny the E.P.A.'s accusations but not clearly rebut them, might not help in any negotiations with the regulatory agency. "It is not obvious the company has really realized what a big deal this is," said David Bach, a senior lecturer in global business and politics at the Yale School of Management.

Richard Barker, a professor at Saïd Business School at Oxford University, said that Volkswagen's strategy so far to deal with the crisis could backfire. "The risk is that they spread out the bad news," he said. "Then it damages their credibility. That could come back to haunt them."

An E.P.A. official, Christopher Grundler, declined on Tuesday to comment on the Volkswagen statement. Mr. Grundler, director of the agency's office of transportation and air quality, said the E.P.A. was confident about its findings.

He said the tests were performed by three separate labs — the E.P.A.'s, and by researchers at the California Air Resources Board and Environment Canada. All found the same results, he said. "Our conclusion that we announced yesterday is that we have sufficient evidence that we found defeat devices," Mr. Grundler said, using a term to describe mechanisms that allow cars to cheat on emissions tests.

Volkswagen admitted on Sept. 3 that it had installed special software to trick emissions-testing machinery, but it had spent more than a year telling the E.P.A. and California regulators that there was no problem with its diesels and arguing that the regulators' evidence was mistaken.

The E.P.A. revelations raise new questions about Mr. Müller, who was named Volkswagen's chief executive in September after Martin Winterkorn resigned a week after the E.P.A.'s first set of disclosures. Mr. Müller was the head of the Porsche division during the model years now in question. He has said he had no knowledge of any cheating.

The revelations also mean that the E.P.A. remains ahead of European regulators in finding and disclosing the broader use of cheating devices by Volkswagen. The automaker has hired Jones Day, an American law firm with offices in Germany, to conduct an internal inquiry into how the illegal software was installed in 11 million vehicles, including about 500,000 in the United States, with most of the rest in Europe.

So far, Volkswagen has not explained who was responsible for installing the software or what process led to the decision. A spokesman for Jones Day declined to comment on Tuesday.

Jad Mouawad contributed reporting.

LA Times

<http://www.latimes.com/business/la-fi-hv-october-auto-sales-20151103-story.html>

Scandal puts dent in Volkswagen sales

Low finance rates, high consumer confidence send October auto sales soaring

Jerry Hirsch

November 3, 2015, 8:31 PM

A beleaguered Volkswagen employed deep discounts just to maintain flat sales in October — while the industry boomed, with a double-digit surge over last year.

In the first full month since it admitted cheating on U.S. emissions tests for diesel cars, the automaker might have done worse. It has typically relied on diesels — sales of which are now suspended — for nearly a quarter of all deliveries.

Analysts said the month's sales came at a tremendous cost as VW piled discounts on its cars and wrote dealers checks to help them cope with the crisis.

In mid-September, as the scandal broke, VW was already offering consumers average discounts of about \$3,720 on its aging lineup of models, according to car price information company Kelley Blue Book, which had not yet tallied October discounts.

VW's flat sales (actually a tiny increase, of 74 vehicles, over last year) came as the industry at large sold almost 1.5 million cars, a huge year-over-year gain that averaged 13.6%. The industry is on track to sell about 17 million vehicles this year, a near-record showing and the best since 2000.

"To have sales up only a fraction of a percent in this environment is pretty bad," said Karl Brauer, an analyst at Kelley Blue Book. "It is like you are the only person on the team hitting singles when everyone else is hitting home runs."

The German automaker could face years of struggle in winning back consumer trust and industry market share, analysts said.

Beyond a tarnished reputation, the automaker faces potentially tens of billions of dollars in regulatory penalties, lawsuit judgments and recall costs.

VW has admitted it installed software to fool federal emissions tests. The so-called defeat device — installed in at least 482,000 vehicles in the U.S. and 11 million worldwide — adjusted diesel engine performance during testing conditions, then allowed up to 40 times the limit of smog-creating nitrogen oxide pollution during normal driving.

The rest of the industry has seen remarkable gains off of already strong sales last year.

General Motors, Ford, Chrysler, Toyota and Nissan all posted double-digit sales increases. Some small manufacturers did particularly well. Volvo sales soared 86.9%, Mazda 35.4% and Subaru 20%, according to Autodata Corp., an industry research firm. Even the once-struggling Mitsubishi joined the boom with sales soaring nearly 20% for the month.

“There are really great fundamentals for sales,” said Mark Wakefield, head of the automotive practice at consulting firm AlixPartners. “Employment is rising. There is very affordable credit. And after almost a year of lower gas prices, consumers think it will stick around, and they are buying bigger vehicles.”

VW sales in October might have looked worse, but they were compared with a particularly weak October a year ago, said Ed Kim, vice president of industry analysis at industry consulting firm AutoPacific.

“Last year they were still in the midst of launching the Golf, and Passat sales were flagging,” he said.

“The VW brand is going to take a lot of rebuilding,” Kim said. “It could take significant effort and years to rebuild its reputation among American buyers.”

A Kelley Blue Book analysis found that the average transaction price for new VWs fell 3.6% in October from September, when the automaker admitted its cheating. The automaker is having to lower its prices to sell cars, Kelley concluded.

Prices at other automakers continue to climb. The estimated average transaction price for light vehicles in the United States was \$34,023 in October, an increase of 1.4% from October 2014 and up 0.7% from last month, Kelley said.

So far, the cheating scandal has done little damage to Audi, VW's luxury brand. Audi's U.S. sales rose 16.8% to 17,700 vehicles last month.

It was its best-ever October. Moreover, Audi has sold 165,103 vehicles so far this year, more than what the brand sold in an entire year just two years ago.

Previously, only the Audi A3 was implicated in the cheating scheme. But on Monday, the Environmental Protection Agency and California Air Resources Board alleged that other vehicles, including the diesel versions of the 2016 Audi A6 Quattro, A7 Quattro, A8, A8L and Q5 have software that fools emissions tests.

The agencies also said the diesel 2014 VW Touareg and the 2015 Porsche Cayenne cheat emissions tests. Volkswagen, which also owns Porsche, said it has not cheated on tests of these cars with the bigger diesel engines.

Nonetheless, Porsche on Tuesday halted sales of model year 2014 through 2016 Cayenne diesel sport utility vehicles until further notice.

“We are working intensively to resolve this matter as soon as possible,” the brand said in a statement. “Customers may continue to operate their vehicles normally.”

Kim expects that Audi will have to do the same with its diesel cars, and that will slow its sales. But he noted that both Audi and Porsche aren't as dependent on diesel sales as the Volkswagen line, so it will have less of an effect.

There were other signs of trouble at VW on Tuesday.

The German automaker said that its internal investigation into the emissions test rigging scheme discovered “irregularities” on an additional 800,000 vehicles, mostly diesel autos.

VW underestimated fuel consumption for these cars and is now notifying regulatory authorities in the countries where they were sold. A spokeswoman for VW's U.S. sales arm said the company doesn't believe the vehicles were sold here.

"The Board of Management of Volkswagen AG deeply regrets this situation," said Matthias Mueller, Volkswagen's chief executive.

Bloomberg

<http://www.bloomberg.com/news/articles/2015-11-04/vw-sinks-deeper-into-crisis-as-scandal-spreads-to-more-cars>

VW Sinks Deeper Into Woe as Scandal Spreads to More Cars

Christoph Rauwald

November 4, 2015 — 5:30 AM EST Updated on November 4, 2015 — 7:30 AM EST

Volkswagen AG Chief Executive Officer Matthias Mueller last week declared it was time to make the company "more fun to work for," then on Saturday he headed to the Leipzig Opera Ball -- where he was photographed smiling in a tuxedo, with a bottle of champagne on the table and his arm around a former tennis star.

On Tuesday, the fun ended.

That evening, the automaker said some gasoline cars -- not just the diesels that have so far been the focus of investigations -- had worse-than-reported emissions, sending its stock down as much as 11 percent Wednesday. VW's supervisory board issued a sharply worded statement saying it was "deeply concerned" and would meet soon to consult on "further measures and consequences."

Because CO2 can't be filtered out like diesel emissions, "in a way it's a bigger issue," Philippe Houchois, an analyst with UBS Group AG, said on Bloomberg TV. "It seems like the board itself is getting into a higher level of emergency."

Volkswagen said an internal probe showed 800,000 cars had "unexplained inconsistencies" in their carbon-dioxide output, a key measure of fuel efficiency and the basis for taxation and emissions regulation in Europe. It's unclear how much overlap there is between those vehicles and the 11 million the company had earlier said would need to be recalled. VW estimated the new finding means it will need to add at least 2 billion euros (\$2.2 billion) to the 6.7 billion euros already set aside to repair dirty diesels.

The latest revelations step up the pressure on Mueller, who was appointed just five weeks ago to steer the company through widening investigations into its cheating on emissions testing. The revelations came a day after VW rejected claims by the U.S. Environmental Protection Agency that it had also cheated on emissions in vehicles made by Porsche -- the brand Mueller headed before taking over the top job.

Mueller has vowed to carry out a comprehensive investigation and pledged to overhaul the company's autocratic culture, which he says must become more transparent to avoid further missteps.

"This is a painful process, but it is our only alternative," Mueller said in a statement on Tuesday. "For us, the only thing that counts is the truth."

Fraser Hill, an analyst at Merrill Lynch in London, cut his price estimate for VW shares, saying the widening scandal risked further tarnishing the company's image with consumers. Alexander Haissl, an analyst at Credit Suisse Group AG in London, said the latest revelations -- just a week after VW released earnings that appeared to show it had the crisis under control -- raised concerns about whether management really knows what's going on deep in the company.

"The key question remains if there are any further disclosures to be made," Haissl said in a note to investors. "We see Volkswagen's credibility further deteriorating."

VW's shares dropped as low as 99.12 euros, 39 percent below their pre-crisis level, and were down 8.9 percent at 1:13 p.m. in Frankfurt. VW has lost about 24 billion euros in value since the scandal became public on Sept. 18. Its bonds also fell on Wednesday, while credit-default swaps insuring Volkswagen's debt jumped, Bloomberg data show.

The latest issues affect Volkswagen's Polo, Golf and Passat models, Audi's subcompact A1 and A3 hatchback, the Skoda Octavia, and the Seat Ibiza and Leon. The company said that while smaller diesel motors account for the vast majority of affected cars, a specific type of 1.4-liter gasoline engine is also involved. The number of those cars "is very limited," a VW spokesman said, and most of them are in Europe.

The 3.0-liter diesel motors targeted on Monday by the EPA probe aren't part of the latest company finding. Volkswagen rebuffed allegations that its cheating on diesel-emissions tests included the Porsche Cayenne and VW Touareg sport utility vehicles and as well as larger sedans and the Q5 SUV from Audi, setting up a showdown with U.S. officials.

"You're fighting against the biggest regulator in the world," Arndt Ellinghorst, an analyst with Evercore ISI in London, said on Bloomberg TV. "This can get pretty ugly."

Bloomberg

<http://www.bloomberg.com/news/articles/2015-11-04/porsche-said-to-pull-u-s-abs-deal-as-emissions-scandal-grows>

Porsche Said to Pull U.S. ABS Deal as Emissions Scandal Grows

Matt Scully

November 3, 2015 — 7:10 PM EST

A financing arm of Porsche AG pulled a \$505 million asset-backed bond deal on Tuesday after U.S. regulators said they were expanding their probe into emissions-cheating software.

Porsche Financial Services Inc. told Barclays Plc, the lead manager for the bond deal, that the underlying car leases used as collateral for the securitization didn't include contracts on any diesel models identified by regulators, but that pricing conditions may have been impacted if the deal had gone ahead, according to a person with direct knowledge of the matter, who asked not to be identified because it's private.

The notes had been marketed since last week. Volkswagen AG, Porsche's parent, said Tuesday that it found faulty emissions readings in gasoline-powered vehicles for the first time, widening a scandal that had previously centered on diesel engines.

Christian Koenig, spokesman for Porsche Cars North America, declined to comment. Reuters first reported the matter earlier Tuesday.

The U.S. Environmental Protection Agency said in a Monday website posting that some 2014-2016 Volkswagen, Audi and Porsche models with 3.0 liter diesel engines have equipment to alter their emissions systems when they're not being tested. It was the second notice of violations, following an initial round in September.

The name of the pulled offering was Porsche Innovative Lease Owner Trust, or PILOT, 2015-2. JPMorgan Chase & Co. and Societe Generale SA were also hired to help manage the deal, according to information about the offering maintained by Bloomberg.

Bloomberg

<http://www.bloomberg.com/news/articles/2015-11-03/volkswagen-emissions-woes-deepen-as-800-000-more-cars-affected>

VW Emissions Issues Spread to Gasoline Cars

Benedikt Kammel Christoph Rauwald

November 3, 2015 — 1:12 PM EST Updated on November 4, 2015 — 3:05 AM EST

Volkswagen AG said it found faulty emissions readings for the first time in gasoline-powered vehicles, widening a scandal that so far had centered on diesel engines. The shares fell the most in almost five weeks.

Volkswagen said an internal probe showed 800,000 cars had “unexplained inconsistencies” concerning their carbon-dioxide output. The automaker had previously estimated it would need to recall 11 million vehicles worldwide, and it was unclear how much overlap there was between the two tallies. The company said late Tuesday that the new finding could add at least 2 billion euros (\$2.2 billion) to the 6.7 billion euros already set aside for repairs. The company’s Porsche unit said it’s halting North American sales of a model criticized by U.S. regulators.

The crisis that emerged after Volkswagen admitted in September to cheating U.S. pollution tests for years with illegal software has shaved more than one-third of the company’s stock price and led to a leadership change. Tuesday’s revelation adds to the pressure on Volkswagen’s new chief executive officer, Matthias Mueller, who replaced Martin Winterkorn and was previously head of Porsche. Volkswagen’s supervisory board said it will meet soon to discuss further measures and consequences.

“VW is leaving us all speechless,” said Arndt Ellinghorst, a London-based analyst with Evercore ISI.

The shares fell 8 percent to 102.05 euros at 9:03 a.m. in Frankfurt. The emissions crisis had wiped more than 24 billion euros from Volkswagen’s market value before Tuesday’s news.

Affected Models

Volkswagen’s Polo, Golf and Passat models are affected as well as the subcompact A1 and the A3 hatchback at the Audi premium brand, a Volkswagen spokesman said by phone. The affected models at other brands include the Skoda Octavia, the Seat Ibiza and the Seat Leon.

The 1.4-liter, 1.6-liter and 2-liter TDI diesel engines account for the vast majority of affected cars. The only gasoline engine is a 1.4-liter version with cylinder head shutdown, but the number of those cars “is very limited,” the spokesman said.

Most of the affected cars are in Europe, and the 2 billion euros in possible costs are an initial estimate, according to the spokesman. The automaker will determine how much money to set aside once the probe has been finalized, he said.

The 3.0-liter diesel motors targeted on Monday by a U.S. Environmental Protection Agency probe aren’t part of the latest finding. The company rejected allegations that its cheating on diesel-emissions tests included Porsche and other high-end vehicles. The EPA said its new investigation centers on the Porsche Cayenne and VW Touareg sport utility vehicles and as well as larger sedans and the Q5 SUV from Audi.

Late Tuesday, Porsche’s North American division said it would voluntarily discontinue sales of diesel-powered Cayennes from model years 2014 to 2016 until further notice. The Atlanta-based unit’s statement reiterated that the EPA notice was unexpected and that owners can operate their vehicles normally.

“We are working intensively to resolve this matter as soon as possible,” Porsche said in the statement.

Further Irregularities

Wolfsburg, Germany-based Volkswagen said the findings surfaced following a “comprehensive investigation to establish whether there were indications of further irregularities” after the initial findings rocked the company in September.

“This adds to the bad news,” said Sascha Gommel, a Frankfurt-based analyst at Commerzbank AG. “You can of course argue that they pursue a rigorous approach in identifying wrongdoings in the company, but this latest news is clearly negative for the company and you will see this in tomorrow’s share price for sure.”

Including today’s announcement, Volkswagen’s total liabilities might have grown to about 13.2 billion euros, said London-based JPMorgan Chase & Co. analyst Jose Asumendi. “We note that the company continues to leave no stone unturned and still enjoys a 27.8 billion euro net cash position to face the crisis,” Asumendi said in a report.

‘Painful Process’

Mueller has pledged to overhaul the company's corporate culture, which he said must change to create a more transparent environment that can discover possible faults.

"This is a painful process, but it is our only alternative," Mueller said in an e-mailed statement. VW "deeply regrets this situation" and "will stop at nothing and nobody" to get to the bottom of the matter, he said.

The scandal has weighed heavily on Volkswagen's earnings. The automaker reported its first quarterly loss last month in at least 15 years because of the reserve funds set aside to implement fixes.

The Telegraph (UK)

<http://www.telegraph.co.uk/finance/newsbysector/industry/engineering/11974202/Volkswagen-diesel-gate-scandal-latest-updates.html>

VW scandal: Volkswagen rocked by fresh troubles as 'dieselgate' spreads to petrol cars - LIVE

Crisis-hit Volkswagen's troubles worsen as internal investigation reveals inconsistencies in the amount of CO2 emitted by diesel and petrol cars

VW has admitted petrol cars have 'inconsistencies'

By Alan Tovey, Industry Editor

12:30PM GMT 04 Nov 2015

- VW shares plunge as emissions scandal spreads to petrol engines
- Porsche dragged into scandal as US regulator says it has found 'defeat devices' in other VW Group diesel engines
- What happens if my car has VW's emissions cheating software?

12.45

Expert analysis: Why CO2 could cost you - and VW - much more than NOx

Steve Huntingford, head of cars at the Telegraph, explains why VW cheating on CO2 emissions could be a much bigger deal than the amount of NOx produced by its diesel engines.

"The latest revelations from VW could potentially have a much bigger financial impact on its UK customers than anything we've heard before.

Up until now, this scandal has been all about NOx emissions - something that European authorities have only recently started to take an interest in, and which still have no bearing on how much it costs to run a car.

By contrast, CO2 emissions have long been part of the UK tax system - both road tax and company car tax are based on how much CO2 a car emits, so if you drive a VW that emits more CO2 than previously disclosed, you could now be facing a higher tax bill.

In addition, while NOx doesn't have a direct impact on fuel economy, CO2 does; any rise in CO2 is accompanied by a rise in fuel consumption. As a result, VW owners in the UK could have chosen the car they did specifically because of a falsified figure, leaving VW open to lawsuits on the grounds of false advertising."

12.20

VW customers' legal case may strengthened by latest revelations, hints UK lawyer

UK motorists who bought VWs because of their lower tax rates and fuel efficiency are likely to be looking at how they have been affected by the latest admission from the German car maker, says law firm Leigh Day, which is representing over 7,000 Volkswagen customers.

Shazia Yamin from the law firm said: "The announcement that the CO2 emission and fuel consumption levels may have been manipulated in both petrol and diesel cars will spell further trouble for UK consumers, particularly as vehicle excise duty is calculated based on either engine size or fuel type and CO2 emissions. CO2 emissions are also tested for as part of a vehicle's MOT."

There could be a case for VW owners who are selling their cars to claim because they may get a lower price as a result of the admissions.

Tanking: VW cars' resale values are falling according to law firm Leigh Day

Ms Yamin added: "These latest revelations only serve to add to the frustration already felt by Volkswagen customers. Volkswagen have provided very little information about what they intend to do to repair the problem, leaving their customers in limbo whilst the value of their vehicle depreciates.

"We have already had reports of clients who have sold their vehicle for less than they were worth before the scandal broke and those who are currently trying to sell their vehicles and are being offered sums that are below the pre-scandal book price."

12.00

Porsche to stop selling diesel SUVs in North America

Sales of Porsche's Cayenne sports utility vehicles fitted with diesel engines have been voluntarily stopped in America and Canada after the US Environmental Protection Agency claimed it was fitted with a defeat device to beat emissions tests.

On Monday the US regulator said its investigation into emissions from six-cylinder 3.0 litre diesel engines used in VW Touareg, Porsche Cayennes and Audis for 2014-2016 ranges discovered they had also been rigged to cheat in pollution tests.

VW Group denied the claim but Porsche - one of the auto giant's brands - has decided to halt sales of the Cayenne until further notice.

A Porsche Cayenne

Cynthia Giles, an official with the EPA's Enforcement and Compliance Assurance office, told Reuters: "We have clear evidence of these additional violations. VW has once again failed its obligation to comply with the law that protects clean air for all Americans."

11.45

So how is the diesel scandal different from the CO2 'irregularities' VW is now talking about

CO2 - carbon dioxide - is the main "greenhouse gas" which absorbs and emits radiation when in the earth's atmosphere. It gets the name greenhouse gas from the effect it has when in the atmosphere because it acts just like a greenhouse, letting heat from the sun through and then trapping some of it and reflecting it back towards the earth.

Motor vehicles are one of the main sources of CO2, though coal power stations and forest clearing are other major contributors.

NOx is the generic term for mono-nitrogen oxides and nitrogen dioxide. Diesel engines are a major source of this gas which can cause airways to become inflamed, make lungs less efficient and trigger asthma.

It also contributes to the formation of particulate matter which also cause respiratory problems.

Modern diesel cars - such as the Euro 6 standard - are fitted with filters which are claimed to catch 99pc of the soot particles they produce.

VW's admission that CO2 levels are affected opens up a new front in its troubles.

11.32

A small recovery for VW shares

After this morning's initial 10pc plunge, the market is digesting what VW has said and the shares have almost halved the earlier loss.

11.03

The benefits of coming clean

Analysts at Citi think that the fact VW admitted the latest troubles unprompted, rather than them coming to light from another source, may have done the company some good.

"While the manipulation on CO2 emissions and fuel consumption data risks further reputational damage, Volkswagen did uncover this itself, which might improve regulators' trust in its investigations," the bank's analysts said.

They also gave a rough assessment on the impact the latest admission could have on the wider German economy.

"The scandal still has the potential to make a meaningful impact on German manufacturing, but for the economy as a whole, we believe it should not exceed 0.2 percentage points of GDP in 2016."

10.45

VW's 'painful process' and why CO2 could be a more serious problem for the company

One of the most vocal critics of VW - including before the initial scandal broke - has been Evercore's Arndt Ellinghorst, who has questioned the auto giant's huge outlay on R&D, the returns achieved from it and also called for a cultural change.

"We called for a change in culture, now it appears we are getting action," said Mr Ellinghorst. "Chief executive Mr Mueller rightly points out that this is a 'painful process' [and] VW is digging deep and finding a lot of very unpleasant stuff.

"From an outside perspective and we are sure for the majority of VW employees, the degree and extent of cheating that has been discovered so far is beyond imagination. It's more than obvious that 'cultural change' is overdue at VW."

But Mr Ellinghorst says the CO2 admissions could be more serious for VW because he thinks the company has nothing to recall to fix.

"They are completely different to the existing diesel manipulations," he said. "VW's latest confessions imply falsely declared CO2 emissions. In colloquial language lying to the consumer, registration bodies, etc. There is nothing to recall because there are no technical issues with the cars. They simply emit more CO2 than VW has declared."

The €2bn cost that VW is assuming is purely related to covering the costs of fines, penalties and compensation to customer who bought the 800,000 affected cars because they thought they were more efficient than they turned out to be.

10.20

How much will this cost VW? A lot more, according to Exane's analysts

VW has made an initial estimate of €2bn costs for the latest revelations but analysts at Exane BNP Paribas are pencilling in an extra €4bn in recall and customer compensation costs, on top of the €12bn they were already expecting for the previously announced dieselgate scandal.

"Versus VW's own €2bn and €6.7bn estimates, this allows material leeway to cater for compensating customers for 'lost' fuel economy and/or residual value impact. We note that the 800k number could yet go higher," they said.

They also think that the latest revelations about CO2 could have a bigger impact on motorists continuing buy VW Group cars than initial NOx emissions scandal because the company admitted this time that its cars could be using more fuel than stated.

"We also model an increased commercial impact in 2016, with customer behaviour more likely to be affected in our view over uncertainty on fuel economy than it has been on NOx," Exane's analysts said. "The net result is a 10pc downgrade to 2016 earnings, with our target price falling to €116."

10.01

And the jokes are beginning again

Twitter is lighting up as the wits give their take on the latest events.

10.00

Analysts are weighing in with their views on the latest revelations

UBS says that the latest admissions from VW could indicate that its the group's upmarket brands - possibly the Porsche and Audi marques - that are likely to be affected.

Here's what the analyst Philippe Houchois has to say in the bank's 'Morning Espresso' round-up:

Escalation to include CO2 in Europe

A statement from VW released after hours suggests an escalation of VW's emissions issue to include 800k vehicles in Europe relating to reported CO2 levels, rather than NOx as has been the main focus so far. While details are yet to be confirmed, references to Type Approval, VW Group and an "initial estimate" of €2bn "economic risk" (i.e. €2,500 per vehicle, being €2bn divided by 800k vehicles) could imply that the issue relates to relatively higher value vehicles in Europe (compared to prior provisions).

We continue to appreciate the speed and thoroughness demonstrated by new CEO Matthias Müller in dealing with these issues, and have estimated product fixing costs as high as €10bn in addition to litigation and fines (for a total €35bn). This development will however certainly add to pressure on VW shares and on-going concerns about costs as well as ethics and governance at the group level.

That said, we reiterate our investment case on VW which is largely based on an acceleration of corporate change and we continue to see value in the shares as (1) our reverse sum of the parts highlights a €32bn negative value for the group's volume brands after €35bn of total fixing and litigation costs and (2) our liquidity analysis suggests the group can cope with a €35bn outflow over 5+ years without needing to raise capital.

Incidentally, UBS has buy rating on VW shares and a price target of €150. That's a long way from the €101 level the shares are currently at...

9.45

The market isn't taking this well - VW shares are tumbling

Shares in VW Group plunged 10pc in early trading, having tumbled early yesterday on worries about the EPS's claims in the US.

To put that in perspective, here's how the company's shares have performed since the start of the year. The initial share price crash as the dieselgate scandal first broke in late September wiped about €30bn off the company's market value.

9.30

VW troubles just don't seem to end - what's happening now?

Having previously admitted that as many as 11m of its diesel-powered cars could be fitted with "defeat devices" to beat emissions tests, VW took a €6.7bn provision that saw the auto giant slump to its first quarterly loss in a decade.

Things seemed to be settling down a little for the company after it apologised, pledged to sort out the affected engines, shook up its management and started an internal investigation into what exactly had happened and how it took place.

However, that internal probe appears to unearthed fresh problems at VW, with company announcing that there are "irregularities" in CO2 levels with about 800,000 cars.

In a statement VW said: "Under the ongoing review of all processes and workflows in connection with diesel engines it was established that the CO2 levels and thus the fuel consumption figures for some models were set too low during the CO2 certification process. The majority of the vehicles concerned have diesel engines."

This signals that it's not just diesel engines that are the source of VW's troubles, but that petrol engines are also affected.

An early estimate by the Wolfsburg-based business put the "economic risks" of the latest revelation at about €2bn with recently installed chief executive Matthias Mueller saying that "relentless and comprehensive clarification is our only alternative".

Mr Mueller took over from Martin Winterkorn, who resigned five days after the scandal broke on September 18. Mr Mueller added: "From the very start I have pushed hard for the relentless and comprehensive clarification of events. We will stop at nothing and nobody. This is a painful process, but it is our only alternative. For us, the only thing that counts is the truth. That is the basis for the fundamental realignment that Volkswagen needs.

"The Board of Management of Volkswagen AG deeply regrets this situation and wishes to underscore its determination to systematically continue along the present path of clarification and transparency."

VW Group said that it had started a "dialogue with the responsible type approval agencies regarding the consequences of these findings".

The company's troubles have been compounded by news the previous day that Porsche has been dragged into the emissions-cheat crisis after environmental regulators confirmed they had found suspected "defeat devices" on a new engine range.

The US-based Environmental Protection Agency told the crisis-hit Volkswagen Group that it is now looking at a 3.0 litre engine which is shared between Porsche, VW and Audi.

In a "Notice of Violation" posted on its website, EPA said it had discovered 2014 to 2016 models have equipment to turn off emissions systems when they are not being tested.

CNBC

<http://www.cnbc.com/2015/11/04/german-reliability-in-tatters-as-autos-scandal-grows.html>

German reliability in tatters as autos scandal grows

Matt Clinch

47 Mins Ago 11/4/15, 7:30 AM

After a relatively quiet few weeks for European auto manufacturers, the scandal involving Volkswagen has come back with a vengeance this week, sending investors to the sidelines.

Germany's Volkswagen tanked 10 percent in morning trade on Wednesday with its Porsche brand also seeing heavy losses, down 8 percent. Daimler, Peugeot, Renault and BMW were also trading lower by around 2 percent, despite the latter posting a surprise increase in third-quarter operating profit on Tuesday.

In September, Volkswagen admitted rigging emissions tests, saying some 11 million vehicles worldwide were affected. It set aside 6.5 billion euros (£4.7 billion) to cover costs of the scandal. However, further revelations have added to what is easily the biggest crisis in VW's 78-year history.

A Volkswagen AG badge sits on a Volkswagen Passat Estate automobile displayed on the forecourt of a dealership in Vienna, Austria, on Thursday, Oct. 8, 2015.

VW reveals another \$2.2B issue affecting 800K cars

The original investigation centered on "defeat devices" that altered the emissions of noxious nitrogen oxide (NOx) in diesel engines. However, it announced late Tuesday that it had found irregularities in CO2 levels that also included petrol-powered cars.

Around 800,000 vehicles could be affected and it has warned of a 2 billion euro hit to its finances. Rather than a "defeat device," this new revelation was simply a discrepancy in the level of emissions reported.

"The more you dig, the trickier and more complicated it becomes," Ipek Ozkardeskaya, a market analyst at London Capital Group, said in a note on Wednesday morning. "The image of German precision, strength, security and reliance are equally damaged. At this stage, it is very difficult to value the goodwill of Volkswagen."

On Monday, the U.S. Environmental Protection Agency (EPA) issued a second notice of violation to VW regarding larger 3.0 liter engines used in its SUVs (sport utility vehicles). It also included vehicles from Porsche and Audi - both owned by VW. The company has since denied the allegations.

Credit specialist Timothy Rea at BNP Paribas noted that VW CEO Matthias Mueller is "under pressure" given that the fresh EPA allegations include cars from Porsche, where he was previously CEO.

"The fact that VW is also unable to give a reliable assessment on the scale of the irregularities fails to draw a line underneath the matter while it also seems that this new issue is not just related to diesel engines either. Ultimately it will raise further questions about just how widespread and deep rooted VW's problems are, what else will its investigations discover?," he said in a note.

The bad news flow doesn't stop there. Volkswagen has also issued a recall for certain vehicles in the U.S. and Canada due to an issue involving camshafts. Earlier in the week, scientists at Harvard University and the Massachusetts Institute of Technology issued new research that said the rigging of its diesel cars could cause around 60 deaths in the U.S. by the end of next year.

Last week, the German automaker also saw its first quarterly loss in 15 years and factored in a 6.7 billion-euro writedown for the scandal.

A potential fine of \$200 million for Japan's Takata, due to faulty airbag inflators, added to the gloomy outlook surrounding the sector on Wednesday. However, there has been one ray of light this week. On Tuesday, the U.S. auto industry reported another month of promising sales for October. According to the Autodata report, total industry unit deliveries increased 13.6 percent compared to last October. Even Volkswagen managed to grow sales, albeit by just 0.2 percent (year-on-year).

Fox Business

<http://www.foxbusiness.com/industries/2015/11/03/vw-epa-battle-over-new-emissions-test-claims/>

Volkswagen Supervisory Board To Meet Soon To Determine Consequences Of New Revelations

By William Boston

Published November 03, 2015

BERLIN – The supervisory board of Volkswagen AG said on Tuesday that it is deeply concerned about the latest revelations that the company's emissions-cheating scandal is widening, and it pledged to meet soon to discuss taking action.

"The Supervisory Board will continue to ensure swift and meticulous clarification. In this regard, the latest findings must be an incentive for the Supervisory Board and the Board of Management to do their utmost to resolve such irregularities and rebuild trust," Volkswagen said.

The moves follow disclosure by U.S. environmental authorities on Monday that Volkswagen also installed cheating software on larger, 3.0 liter diesel vehicles from sports car maker Porsche AG and luxury-car brand Audi AG.

On Tuesday, Volkswagen disclosed that 800,000 vehicles, including gasoline-powered cars, emitted higher levels of CO2 than stated in the certification documents for the cars.